Making It Work:

A Saskatchewan Perspective on Climate Change Policy

October 2002

GOVERNMENT OF SASKATCHEWAN

TIME FOR AN OPEN DISCUSSION

While the Saskatchewan government supports many of the principles and objectives of the Kyoto Protocol, Saskatchewan is seriously concerned about the lack of information regarding Ottawa's intentions.

Scientific evidence is mounting that Earth's climate is changing. This change in climate is being forced by an increasing concentration of manmade greenhouse gas emissions (primarily carbon dioxide) in the atmosphere, which traps heat, creating a "greenhouse effect." The changing climate will, in turn, affect global rainfall patterns, prevailing winds, ocean currents and temperatures. The United Nations Intergovernmental Panel on Climate Change has reported that observed climate changes include shrinkage of glaciers, thawing of permafrost, lengthening of growing seasons and increasing frequency of floods and droughts in some areas. Possible future climate change effects may include sea level rise, soil moisture changes, changes in the frequency of fire and pest infestation, and changes in the distribution of infectious disease.

An international protocol agreed to in Kyoto, Japan, in 1997 established greenhouse gas emissions reduction targets for various countries, including Canada. Canada agreed to reduce greenhouse gas emissions by 2008-12 to an amount 6% below 1990 emission levels. Canada has not yet ratified the Kyoto Protocol, but the Prime Minister has recently announced that a plan to reduce greenhouse gas emissions is being finalized, and he plans to ask Parliament to approve ratification of the Kyoto Protocol by the end of 2002.

Saskatchewan recognizes that climate change is a serious environmental issue that must be addressed. For this reason, Saskatchewan supports many of the principles and objectives underlying the Kyoto Protocol. Saskatchewan supports the Kyoto Protocol's goal of controlling global climate change by reducing greenhouse gas emissions through co-operative international action. Until Saskatchewan sees the federal climate change plan, we cannot yet support the Kyoto emissions reduction target and the Kyoto timeframe because we do not know the impact on the province of trying to meet this target within this timeframe.

Saskatchewan is willing to do its fair share to assist in accomplishing these objectives, subject to a fair, equitable federal climate change plan being put in place that includes significant federal funding assistance.

The Office of Energy Conservation was established in September 2002 to help reduce energy costs for Saskatchewan residents, businesses and farmers.

Saskatchewan has already undertaken a number of important actions to reduce greenhouse gas emissions. Saskatchewan has established a climate change program that is undertaking projects in five major areas:

- development of public education initiatives;
- development of new technology to dispose of carbon dioxide;
- development of strategies to assist in adapting to potential climate change;
- development of biological sinks for carbon dioxide in agricultural soils and forests; and
- implementation of energy conservation and alternative energy projects.

SASKATCHEWAN ACTIONS ON CLIMATE CHANGE

- The Saskatchewan Stakeholders Advisory Committee on Climate Change was set up in 1998 to permit government and stakeholders to exchange information and views on climate change issues. Stakeholders on the committee represent a variety of agricultural, environmental, industry and community groups. The committee assists government officials to determine which climate change initiatives should be undertaken within Saskatchewan.

- Saskatchewan has established legislative authority to mandate the use of ethanol in gasoline in Saskatchewan as productive capacity is established.

- The establishment of the Office of Energy Conservation was announced in September 2002. The Office of Energy Conservation will be located in the Regina facilities of the Saskatchewan Research Council. The Office is funded by SaskPower, SaskEnergy and Saskatchewan Industry and Resources. The Office will undertake a number of energy conservation initiatives to reduce energy costs for Saskatchewan residents, businesses and farmers. The Office will maintain a toll-free energy conservation hotline to provide interested members of the public with information on energy conservation and alternative energy.

- Saskatchewan has been working with EnCana Corporation and various other interested parties to initiate the IEA Weyburn Carbon Dioxide Monitoring Project. Saskatchewan is contributing $2.3 million to

The International Test Centre for Carbon Dioxide Capture at the University of Regina will develop technologies to reduce carbon dioxide emissions, especially those produced by the energy sector.

the cost of a $25-million project to monitor the geological sequestration of carbon dioxide in a producing oil reservoir near Weyburn. The project is examining the viability of using carbon dioxide enhanced oil recovery techniques to permanently store carbon dioxide underground and simultaneously increase oil production. The injection of carbon dioxide into oil reservoirs located near large coal-fired power stations has significant potential to dispose of large quantities of carbon dioxide at relatively low cost. Funding for this world-class research project is being provided by Saskatchewan, Natural Resources Canada, the United States, the European Union, Alberta, SaskPower, and a number of private companies in Canada and the United States. An international team of experts has been assembled to undertake this project.

- Saskatchewan is participating in a multi-client project being undertaken by the Alberta Research Council to study the feasibility of injecting carbon dioxide into deep underground coal seams to permanently dispose of the carbon dioxide and simultaneously produce natural gas.

- SaskPower and SaskEnergy are proceeding with a pilot project to research the feasibility of using flare gas from oil fields to power a microturbine to produce electricity.

- Saskatchewan provided $1.8 million out of the Innovation and Science Fund to assist in the establishment of the International Test Centre for Carbon Dioxide Capture at the University of Regina. This $8.5-million facility, established in co-operation with Natural Resources Canada, will develop technologies to reduce carbon dioxide emissions, especially those produced by the energy sector. Carbon dioxide capture technologies developed by the Centre will decrease the amount of carbon dioxide released into the atmosphere and will pave the way for new storage and disposal methods and new industrial uses for the gas. The Centre is also supported by Alberta and various industry partners, including SaskPower, Fluor Daniel, Luscar Coal, EPCOR, TransAlta Utilities, Nexen Inc. and EnCana Corporation. Other domestic and international members are being sought.

Climate Change Saskatchewan is helping to create awareness and understanding of climate change, how we can take steps to reduce its impacts and how we will need to adapt.

- Since the mid-1980s, Saskatchewan Agriculture, Food and Rural Revitalization has worked with farmers, researchers, equipment innovators and the federal government on soil conservation programming. This combined effort has revolutionized soil management practices and resulted in transforming agricultural soils from an emission source for atmospheric carbon dioxide into a carbon sink. Reduced tillage systems also provide a number of other environmental and economic benefits. Saskatchewan farmers now have the highest adoption rates of conservation tillage systems in Canada and, perhaps, in the world. Saskatchewan's technology leadership position is also demonstrated by our ability to manufacture and export reduced tillage equipment to many countries.

- The Conservation Cover Program operated by Saskatchewan Agriculture, Food and Rural Revitalization will significantly increase carbon sinks in agricultural soils. Under this initiative, Saskatchewan has committed $26 million over 4 years for farmers who wish to convert marginal cropland to perennial forage cover.

- SaskPower is conducting studies of the feasibility of various distributed generation projects using renewable energy sources such as solar power, wood waste, livestock wastes and municipal wastes.

- SaskEnergy has spent several million dollars over the past several years to save energy and reduce greenhouse gas emissions in a cost effective manner. SaskEnergy continues to invest in a variety of energy conservation, alternate energy and emission reduction opportunities.

- Saskatchewan has initiated a number of public education initiatives related to climate change, including the establishment of Climate Change Saskatchewan, a public education and outreach pilot hub. With support from the governments of Saskatchewan and Canada and the University of Regina, Climate Change Saskatchewan is helping to create greater awareness and understanding on how climate change is affecting us now, how it will affect us in the future, how we can take steps to reduce its impacts and how we will need to adapt. Climate Change Saskatchewan has balanced information on climate change issues. A Web site has been

established at www.climatechangesask.ca to provide climate change information relevant to Saskatchewan. Curriculum materials related to climate change are also being developed for Saskatchewan's schools.

Together, the SunBridge Wind Power Project and the Cypress Wind Power Project near Gull Lake, represent the third largest wind power development in Canada.

- Since 1996, the Government of Saskatchewan has supported the establishment of a Prairie Adaptation Network at the Saskatchewan Research Council to examine the probable effects of climate change on the prairies and to develop effective adaptation strategies that enable us to take advantage of the expected changes. Natural Resources Canada built upon this research capability to establish the Prairie Adaptation Research Cooperative (PARC), which funds adaptation research in various facilities across the prairies, including the Saskatchewan Research Council. The centre for this network is in the Regina Research Park at the University of Regina, with support provided by Saskatchewan Industry and Resources, the Saskatchewan Research Council and Saskatchewan Environment.

- Saskatchewan Industry and Resources and SaskPower contribute to the Canadian Clean Power Coalition (CCPC), an association of coal producers, governments, and coal powered electricity generators. The CCPC is undertaking a $5-million, three-year study to examine the feasibility of new clean coal technologies.

- SaskPower is participating in two wind turbine projects. SaskPower is purchasing 11 megawatts of wind power from 17 wind turbines erected near Gull Lake by SunBridge, a partnership between Enbridge Inc. and Suncor Energy Inc. As well, SaskPower recently announced it will generate 5.9 megawatts of wind power from nine wind turbines at the Cypress Wind Power Project in the same area. The Cypress Wind Power Project will provide a portion of the electrical requirements of the Government of Saskatchewan and will supply wind power for SaskPower's head office. Together, these two Saskatchewan wind power projects represent the third largest wind power development in Canada. The governments of Saskatchewan and Canada and other customers like the University of Regina have committed to buying wind power for some of their facilities. SaskPower is also providing its residential, farm and business customers with the opportunity to buy "green power" in addition to their normal electricity billing.

The Saskatchewan Research Council has been evaluating the feasibility of using natural gas vehicles, and SaskEnergy operates a natural gas refuelling facility in Regina that is available to the public.

- SaskPower and the provincial government have entered into a carbon sequestration agreement. SaskPower will provide $6 million to enable the provincial government to expand silviculture activities, including the planting of approximately five million trees and the establishment of a Forest Carbon Reserve.

- SaskEnergy provides low-interest loans to individuals who wish to convert to medium- and high-efficiency natural gas furnaces. To date, more than 4,000 Saskatchewan homeowners have used the loan to purchase more energy-efficient furnaces.

- SaskPower Energy Solutions Energy Performance Contracting service helps key customers achieve energy savings and implement facility improvements without capital expenditures. The energy conservation retrofit work is paid for through the energy savings that are achieved. For example, this approach is being used to allow Saskatchewan Valley School Division to undertake $2.5 million worth of energy conservation retrofit work in its elementary schools and high schools.

- The Saskatchewan Research Council has been evaluating the feasibility of using natural gas vehicles, and SaskEnergy operates a natural gas refuelling facility in Regina that is available to the public.

- SaskPower is developing an initiative to use heat recovery in industrial plants to reduce energy operating costs and environmentally harmful emissions. SaskPower is also developing an initiative to support the implementation of energy efficiency retrofits in community facilities.

- Saskatchewan has joined the BIOCAP Canada Foundation, which undertakes research into agricultural soils and forestry sinks for carbon dioxide sequestration and the utilization of biomass for energy purposes such as the production of ethanol or combustion.

- Saskatchewan Industry and Resources and SaskEnergy provide financial support to assist the Saskatchewan Homebuilders' Association to publicize the R-2000 program for the construction of new energy efficient homes.

Saskatchewan Property Management Corporation is undertaking extensive energy conservation work on 70 provincial government buildings.

- Saskatchewan Housing Corporation is undertaking a $5-million energy conservation retrofit of seniors housing units that it operates in Saskatchewan. An investment of $1 million dollars per year is being made in each of five years. By year seven, it is anticipated that the resulting energy savings will fully pay for the $5-million capital cost.

- Saskatchewan is establishing the Energy Conservation, Climate Change, and Technology Network to utilize technical expertise at the Saskatchewan Research Council, the University of Saskatchewan and the University of Regina to address climate change issues in Saskatchewan and to assist in the development of climate change initiatives.

- Saskatchewan Property Management Corporation is undertaking extensive energy conservation work on 70 provincial government buildings. The work is being financed through energy savings, which will ultimately translate into financial savings for taxpayers.

- Saskatchewan participated in and managed the Greenhouse Gas Emission Reduction Trading Pilot (GERT) until its conclusion.

SASKATCHEWAN AND THE FEDERAL CLIMATE CHANGE PLAN

Saskatchewan's large agricultural and forest sectors, combined with our extreme climate, make the province particularly vulnerable to the effects of climate change.

Saskatchewan is particularly vulnerable to the effects of climate change due to our large agricultural and forest sectors. Because of our concerns about the effects of climate change, Saskatchewan has tried to work with the federal government on the development of a national approach to the issue that would be fair to all provinces.

Saskatchewan is concerned that this joint approach is now in jeopardy. Although the federal government seems to have made a decision to proceed with ratification, Saskatchewan, like other provinces, is still waiting to hear how the federal government proposes to achieve the emission reduction targets established by the Kyoto Protocol. This information is critical to Saskatchewan's economic future. There is significant potential for Saskatchewan to be hit harder by the federal plan than many other provinces.

Saskatchewan is a high per capita emitter of greenhouse gases because we have a relatively small population spread over a large geographical area. Saskatchewan has a large rural population. We also have an extreme climate that requires energy for heating in winter and cooling in summer.

Saskatchewan has an energy-intensive, resource-based economy, and many of our products are exported to other countries instead of being consumed within the province. Much of Saskatchewan's economic growth is linked to the development of our oil, natural gas and coal resources. Curtailing the growth of these industries would have significant economic implications for Saskatchewan.

The details of the federal Kyoto plan are also critical to achieving results on climate change. The federal plan should avoid undue reliance on the purchase of international emission credits that provide no net environmental benefits. Ottawa must be willing to look to other measures so that Canada's climate change plan will actually improve the environment. For example, investment in wind turbines or clean coal technology will reduce emissions, generate real environmental gains and provide Canada with significant economic development and employment benefits.

Saskatchewan is willing to do its fair share to address climate change, but we are not willing to accept a plan that unfairly penalizes our residents, our industries or our economy.

Energy costs and greenhouse gas emissions are embedded in every product in our economy and nearly all activities undertaken by our citizens. Driving to work, heating our homes and watching television all use energy and all produce greenhouse gas emissions. Changes in energy costs and reductions in greenhouse gas emissions will affect everything from the price of imported fruits and vegetables to the cost of curling on artificial ice in our local rinks. The need to respond to global climate change is a major challenge for government and society and should not be underestimated.

Saskatchewan is willing to work with the federal government and other jurisdictions to address climate change by undertaking initiatives in a wide variety of important areas. Incentives for wind power, ethanol, biodiesel and other renewable energy sources would assist Saskatchewan to reduce its dependence on fossil fuels. Saskatchewan calls on the federal government to support the extension of a mandate for ethanol-blended gasoline in all jurisdictions across the country. Enhanced investment in research related to clean coal technology, carbon dioxide separation techniques and geological sequestration of carbon dioxide would enable Saskatchewan to reduce the environmental impact of utilizing its coal and oil resources and would develop valuable technologies for use throughout the world. Support for energy conservation initiatives would improve the efficiency of our economy and reduce energy costs for Saskatchewan industry, homeowners and farmers. Incentives could facilitate the development of forest and agricultural soil sinks. Public information initiatives could encourage Saskatchewan residents and businesses to take action to reduce their greenhouse gas emissions. Strategies could be developed to minimize the impact of our changing climate and to identify any opportunities.

Saskatchewan is committed to taking action on climate change. But we are not willing to have our residents and industries pay a price disproportionate to that paid by other Canadians. Nor are we willing to accept a plan that penalizes our economy but fails to effectively address climate change. It is time for the federal government to have an open discussion with all Canadians on Kyoto and its implementation plan. This should logically happen prior to Canada making a final decision on ratification of the Kyoto Protocol.

The federal government plan to implement Kyoto has to be environmentally effective, economically viable and fair to all Canadians. Until Saskatchewan can see that these points are fully addressed in the federal plan, we cannot support ratification.

Saskatchewan believes there are fundamental principles that should underlie any Kyoto plan – open discussion and understanding of the implications, and fair distribution of costs and impacts among all sectors and all jurisdictions.

A FOUNDATION FOR SUCCESS

The following 19 points will be used as benchmarks to evaluate the federal climate change plan.

Stakeholders and residents should have an opportunity for full and informed input into the development of the plan and the ratification decision.

We believe that our citizens and businesses have the right to understand how they will be affected and the costs that they will incur. Public opinion polling indicates that many Canadians do not yet understand climate change or the Kyoto Protocol. They are not motivated to make lifestyle changes required to implement the Protocol. We feel consultations should be completed before a ratification decision is made, even if a ratification decision would be delayed by some months.

As requested by Canada's Premiers, a First Ministers' Meeting should be held prior to any federal decision on the ratification of the Kyoto Protocol.

Saskatchewan believes that ratification of the Kyoto Protocol is a major decision that will affect the lifestyle and expenses of all Canadians. Saskatchewan feels it is essential that the Prime Minister agree to the Premiers' request for a meeting to discuss this major issue.

The federal climate change plan should be effective in addressing climate change and reducing greenhouse gas emissions by all Canadians in all sectors.

The Canadian economy depends upon reliable access to adequate supplies of competitively priced energy. Saskatchewan feels that the climate change plan should be practical and workable. All Canadians and all sectors should be called upon to contribute their fair share to resolving this global problem.

No region should be asked to bear an unfair burden in addressing climate change.

In 1997, the Prime Minister and the Premiers jointly pledged that no region would be asked to bear an unfair burden in addressing climate change. This commitment is fundamental and should not be compromised. Policies to meet national objectives such as the Kyoto Protocol should be nationally based and should be designed so that the average burden is relatively even across the country and across the economy.

The federal plan should respect provincial jurisdiction, including provincial ownership of natural resources. The plan should provide fair compensation for any national use of carbon sinks developed by Saskatchewan farmers or for any carbon sinks accumulated by provincial forests. The plan should allow for a provincial role in implementation of major climate change initiatives, including monitoring and administration of any proposed emissions trading system.

Effectiveness

Saskatchewan recognizes that, even if Kyoto's emissions reduction targets are met, greenhouse gas concentrations in the atmosphere will continue to increase and climate change will continue to occur. In order to stop climate change, it will be necessary over the long term to reduce greenhouse gas emissions even further than required initially by the Kyoto Protocol. This means that any plan should consider the long-term need for further significant reductions and should be consistent with the long-term goal of stopping global warming.

Support should be provided for the research, development and deployment of new technology to reduce greenhouse gas emissions. Current technology will assist in reducing emissions in the short term. In the medium to long term, new technology will become available and will play an important role in making further emission reductions beyond the levels required by Kyoto.

Economic Impact

The costs of implementing the Kyoto Protocol are not clear. These should be fully understood before ratification.

Trying to achieve Canada's Kyoto target involves significant costs and significant financial risks. Under a worst case scenario, the cost of achieving Canada's Kyoto target would be very expensive and would require a commitment approaching the same share of the economy as health care. At the same time, the costs and benefits of reaching the Kyoto target are only roughly understood, especially from the perspective of an individual region or province. Based on the most recent federal-provincial analysis completed in May 2002, the costs and impacts on Saskatchewan could vary widely, from $300 million per year to $2.6 billion per year by 2020, depending upon the initiatives included in the federal plan and the support provided by the federal government. Saskatchewan deserves an opportunity to understand and influence the decisions being made by the federal government. Unacceptable costs will erode public support for ratification and will force governments to reverse their commitment to reduce emissions. Costs cannot be permitted to escalate unreasonably in future years. Canada's economic growth should not be capped.

The restructuring of the Canadian economy that would accompany ratification of the Kyoto Protocol would generate a number of investment opportunities and would create economic and environmental benefits. By making a start at greenhouse gas reduction, the world should slow the escalation of drought, forest fires, drying up of surface water bodies, tornadoes and other extreme weather events that are the consequences of climate change. These consequences have huge economic costs attached to them and mitigation of these costs is beneficial to Saskatchewan residents and to all citizens of the world. The federal plan should contain measures to assist Canadians to take advantage of investment opportunities and achieve as many economic and environmental benefits as possible.

Saskatchewan is concerned that the federal plan might rely too heavily on the purchase of international emission credits from other countries that will not reduce global

greenhouse gas emissions and will not have any direct impact on the environment. Wherever possible, it would be far more beneficial to invest these funds into actions that will both reduce greenhouse gas emissions and create new opportunities and jobs for Canadians. Canada could invest in international development projects that encourage sustainable development and reduce greenhouse gas emissions in other countries.

The federal implementation plan for Kyoto should address negative impacts on companies and individuals and offer measures to reap the potential benefits.

Trade with the United States and other nations is critical to Saskatchewan's economy. Saskatchewan is concerned that ratification of the Kyoto Protocol may reduce Canada's economic competitiveness since 87% of Canada's exports go to the U.S. The U.S. has indicated it will not ratify the Protocol. If Canada ratifies the Kyoto Protocol, Saskatchewan companies may be placed at a competitive disadvantage compared to U.S. companies that may not have to reduce their emissions. Saskatchewan companies can easily move to the U.S. or manufacturing activity can easily shift from Saskatchewan to U.S. plants as relative costs change. As well, many other countries are not yet covered by the Protocol and may enjoy a competitive advantage in competing for U.S. or Canadian markets.

If Canada's climate change plan is dependent upon the purchase of international emissions credits by Canadian companies, then the risks associated with the price of these credits and the international acceptance of these international emissions credits should be assumed by all Canadians through the federal government. It would not be fair for the federal government to ratify Kyoto and require companies to assume this significant financial risk.

The plan should provide assistance for communities, families and individuals that will be adversely affected by climate change initiatives, including job retraining. Support should be provided for companies or industries that need to prematurely retire capital equipment or that need to make major investments in new technology. Steps should be taken to mitigate any competitiveness impacts for particular jurisdictions, industries or companies.

A Sound Bargaining Position

Premature ratification of the Kyoto Protocol could weaken our ability to negotiate a fair deal for Canada.

Credit for clean energy exports is an important means of reducing the cost associated with ratification. Saskatchewan is concerned that, if the federal government ratifies the Kyoto Protocol, Canada's bargaining position will be weakened and we will be unable to obtain international approval of credit for clean energy exports.

Saskatchewan expects that the federal government's estimate of the cost of the Kyoto Protocol will assume that clean energy exports will be approved. Saskatchewan feels strongly that, if the federal government chooses to weaken its bargaining position by ratifying Kyoto and later fails to obtain approval of clean energy exports, then the incremental costs of this failure should be borne entirely by the federal government and should not be passed on to industry or other jurisdictions. It is unreasonable for the federal government to ratify the Kyoto Protocol in the absence of a climate change plan and without Canadians knowing how they will be affected and what the associated costs will be.

Relevancy

The federal plan should be relevant to Saskatchewan's climate change priorities.

Saskatchewan is already active in addressing climate change in ways that make sense in our province and reflect the opportunities we have available. Any federal plan should reflect our priorities and should build upon what Saskatchewan has already done.

The province has made initial investments in wind turbines to provide electricity, and we have taken steps to mandate the use of ethanol in gasoline in the province. We are world leaders in the disposal of carbon dioxide in oil reservoirs. We have established research centres to develop technology to remove carbon dioxide from industrial flue gases and to develop strategies to adapt to climate change. Saskatchewan farmers have played a major leadership role in improving agricultural practices through the development and adoption of reduced tillage systems that store carbon in the soil. These advanced

agricultural techniques have created a soil carbon sink that will assist Canada in meeting its international obligations under the Kyoto Protocol. Saskatchewan would like to do more in these areas, as well as in the areas of energy conservation, the development of forest and soil sinks and the utilization of renewable energy.

Saskatchewan, with its vast distances and reliance on transportation, has unique circumstances. Any federal plan should recognize these characteristics.

The plan should consider Saskatchewan's unique climate and geography and should not expect Saskatchewan residents to make unreasonable changes in their activities.

The federal plan will need to be sufficiently flexible to take into account the unique circumstances of each jurisdiction, including Saskatchewan. Measures that may be appropriate for a large urban area may not make sense in the context of rural Saskatchewan and vice versa. Any plan that asks citizens or business to make changes to their activities and lifestyle disproportionate to other Canadians will undermine support for ratification.

Fair Distribution of Costs

Any broad economic measure, such as an energy tax or an emissions trading system, should be spread among as many energy consumers as possible to reduce individual costs and encourage widespread reductions in emissions.

Saskatchewan feels that it would be fundamentally unfair to single out particular sectors, groups or jurisdictions and impose a financial penalty on them while, at the same time, allowing other sectors, groups or jurisdictions to escape with little or no cost. If it is necessary to increase costs to encourage the reduction of greenhouse gas emissions, then costs should be spread among as many consumers as possible to ensure that emissions are reduced as much as possible. Targeted financial support for low income Canadians should be introduced to offset increased costs.

Any revenues resulting from such initiatives should be reinvested in climate change initiatives that will improve the ability of communities, businesses and consumers to absorb the costs associated with emission reductions.

Return of Revenue to Provinces

Any federal revenues from climate change taxes or initiatives should be returned to the province from which the federal revenue was collected.

The federal government is in a stronger position than Saskatchewan to finance implementation of the Kyoto Protocol.

Saskatchewan, along with other Canadian jurisdictions, is concerned that ratification of the Kyoto Protocol will eventually result in federal intrusion into the management and taxation of resource industries that are currently the responsibility of the provinces. This could transfer significant amounts of resource revenues from a province to the federal government. Saskatchewan feels that provincial resource revenues now used to fund services to provincial residents should not be taxed away by the federal government under the guise of reducing greenhouse gas emissions.

Fiscal Considerations

The plan should recognize the difficult financial circumstances of Saskatchewan and other provinces and should provide federal cost-sharing to provinces to assist them to undertake required climate change initiatives.

Like many provinces, Saskatchewan currently has a small budget surplus and is still paying off a large accumulated debt. It is difficult for budget-constrained provinces to provide the large amounts of funding required to undertake climate change initiatives. Any increased provincial expenditures on climate change will need to be funded by diverting expenditures away from priority areas such as health, agriculture, highways or education.

Alternatively, taxes would need to increase, or funds would have to be borrowed and provincial debt would increase. The federal government has had large budgetary surpluses for the past several years and is in a position to provide financial support to provinces to encourage them to undertake climate change initiatives.

The plan should provide for compensation for any regions or sectors that are adversely affected to an unfair degree.

The federal plan should provide support for those regions or sectors that might be affected to an unfair degree.

Saskatchewan believes that it will be extremely difficult for the federal government to fairly allocate the impact of emission reduction measures among provinces or economic sectors. Accordingly, Saskatchewan feels that the federal government should commit that it would provide compensation if Saskatchewan, another Canadian jurisdiction, or an economic sector bears a disproportionate share of the burden of reducing greenhouse gas emissions to meet Canada's Kyoto target. The plan should not selectively impose significant additional burdens on a narrow group of individuals or businesses beyond reasonable costs to effectively reduce emissions.

A CALL TO THE FEDERAL GOVERNMENT

Saskatchewan has outlined the features that it feels need to be included in a fair, open and sensible national plan to address climate change.

It's time for the federal government to have open discussions with the provinces and with Canadian people about its plan to implement the Kyoto Protocol.

Saskatchewan calls upon the federal government to immediately resume discussions with the provinces to develop the details of such a national climate change plan.

Saskatchewan calls upon the federal government to consult with Canadians about this national climate change plan before making a decision on ratification of the Kyoto Protocol.